

Message Text

CONFIDENTIAL

PAGE 01 QUITO 06924 250048Z

62

ACTION L-01

INFO OCT-01 ARA-06 ISO-00 EB-03 SSO-00 SS-14 INR-05 INRE-00

SP-02 /032 W

----- 121800

O 242355Z SEP 76 ZFF4

FM AMEMBASSY QUITO

TO SECSTATE WASHDC NIACT IMMEDIATE 1698

C O N F I D E N T I A L QUITO 6924

STADIS////////////////////////////////////

LIMDIS

FOR DELIVERY POPP SEPT 25

FOR ARA, EB, AND L

E.O. 11652: GDS

TAGS: ENRG PFOR EC

SUBJ: GULF DISPUTE

REF: (A) STATE 237715; (B) QUITO 6909; (C) QUITO 6876

1. WE HOPE REF. B HAS CLEARED UP TO SOME EXTENT APPARENT DISCREPANCIES BETWEEN REF. C. AND WYCHE'S TELEX. REGRET CONFUSION BUT IN HUSTLING BACK AND FORTH BETWEEN GULF, POVEDA, DINNER FOR GENERAL LEORO AND EMBASSY LAST NIGHT, I MAY HAVE DROPPED SOME STITCHES.

2. TO REVIEW THE BIDDING, THE GOE IS
(A) WILLING TO CREDIT CASH PAYMENTS (27 MILLION) WHICH GULF HAS MADE FOR OIL LIFTED SINCE AUG. 13 AS IF THOSE WERE PARTIAL PAYMENTS FOR OVERDUE DEPOSITS (TOTAL \$46 MILLION AS OF TODAY);

(B) ASKING THAT REMAINING \$19 MILLION BE PAID IN FULL;

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 06924 250048Z

(C) ASKING FOR IRREVOCABLE LETTERS OF CREDIT FOR THE

\$27 MILLION IN LIFTINGS SINCE AUG. 13 (SINCE THE CASH PAYMENTS WHICH GULF MADE THEREFOR WOULD NOW BE APPLIED TO PREVIOUS, OVERDUE LIFTINGS)

(D) ASKING FOR IRREVOCABLE LETTERS OF CREDIT FOR THOSE LIFTINGS WHICH WILL BE FALLING DUE BETWEEN NOW AND DEC. 13 UNDER THE OLD 120-DAY CREDIT SYSTEM (\$21.3 MILLION)

(E) ASKING FOR IRREVOCABLE LETTERS OF CREDIT FOR ALL FUTURE LIFTINGS.

3. TO MY MIND, 2(C) (D) AND (E) GO BEYOND THE LETTER OF CADUCITY, WHICH ONLY REQUIRES GULF TO MAKE GOOD ON OVERDUE DEPTS PL (I.E. 2(A) AND 2(B)). IN EFFECT, GOE HAS NOW, THREE WEEKS LATER, REVISED ITS LETTER OF CADUCITY AND UPPED THE ANTE.

4. IF WE CAN GET AGREEMENT FROM GULF ON THE ARRANGEMENT OUTLINED IN REF. B, I WOULD ARGUE VERY STRONGLY WITH POVEDA THAT HIS GOVERNMENT IS ACTING UNREASONABLY AND ARBITRARILY IN INTRODUCING THESE NEW ELEMENTS. I WOULD MAKE IT CLEAR TO HIM THAT IF THE DEAL FALLS THROUGH BECAUSE OF GOE INSISTANCE ON 2(C) THRU (D) IT WOULD BE BECAUSE HE AND HIS ASSOCIATES HAD NOT PLAYED FAIR.

5. IT MAY BE, HOWEVER, THAT THE GOE WILL ARGUE THAT THE IRREVOCABLE LETTERS OF CREDIT ARE NECESSARY BECAUSE GULF HAS BEEN GETTING EXTRA SPECIAL TREATMENT (APPARENTLY OTHER EXPORTERS ARE NOT GIVEN THE 120-DAY, INTEREST-FREE PRIVILEGE) AND HAS SHOWN ITSELF UNTRUSTWORTHY. IN EFFECT, THE GOE IS TRYING TO PREVENT GULF FROM BUILDING UP ANOTHER \$68 MILLION IN LEVERAGE. NEVERTHELESS, I WOULD BE PREPARED TO ARGUE STRONGLY AGAINST THE LETTER OF CREDIT REQUIREMENT. THE ACE-IN-THE HOLE IN THAT CASE WOULD BE WYCHE'S IDEA OF A LETTER TO THE USG FROM GULF GUARANTEEING FUTURE DEPOSITS IF GOE ABIDES BY ITS COMMITMENTS (PARA 4, REF B). I WOULD PROPOSE TO PLAY THAT CARD AS A LAST RESORT.
BLOOMFIELD

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PETROLEUM PRODUCTION, PROFITS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: blochd0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO06924
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760361-1300
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760923/aaaaatap.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS, STADIS
Reference: 76 STATE 237715, 76 QUITO 6909, 76 QUITO 6876
Review Action: RELEASED, APPROVED
Review Authority: blochd0
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by SmithRJ>; APPROVED <03 NOV 2004 by blochd0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GULF DISPUTE
TAGS: ENRG, PFOR, EC, US, GULF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006